

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4897-01  
Bill No.: HB 1198  
Subject: Construction and Building Codes; Labor and Industrial Relations Dept.; Salaries;  
Employees-Employers  
Type: Original  
Date: January 27, 2012

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Bill Summary: This proposal changes the laws regarding prevailing wages.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Conservation, Department of Labor and Industrial Relations, Metropolitan Community College, Missouri Department of Transportation, Missouri Western State University, Northwest Missouri State University, Parkway School District, St. Louis County, University of Missouri** and the **University of Central Missouri** assume there is no fiscal impact from this proposal.

Officials at the **Office of Administration** defer to the Department of Labor and Industrial Relations for the statement of fiscal impact.

Officials at the **Linn State Technical College** and **Missouri Southern State University** assume an unknown fiscal impact.

Officials at the **City of Kansas City** assume if bids on public works projects including the proposed areas of deletion from the requirement reflect a lower cost of labor, then some savings may be experienced by the City. The savings would be greater than the loss of tax revenue that would have been returned to the City by employees who were paid less than what is currently earned on public works projects.

Officials at the **Missouri State University** assume this proposed change has a possibility of saving money on construction projects. However, the modified definition of "maintenance work" leaves it open for interpretation. Without a clear concise definition, the savings this proposal may generate is difficult to determine. Based upon FY2011 expenditures by the University with a simple interpretation of the new definition, this proposal may generate up to \$750,000 in savings annually. However, this proposal would create additional bookkeeping problems due to the same work being eligible to be paid at different rates depending upon the actual project being done. It would cause confusion among contractors without clear definitions being established up front on a project. It would also change from project to project. For the University to manage these additional requirements it could take another contract administrator at an estimated annual cost of \$50,000.

Officials at the **Lincoln University** assume some savings may be realized with this proposal. For instance, the University currently requires a painting project to be paid according to the prevailing wage. According to this proposal, as described under "maintenance work", painting or repainting projects would be exempt from the prevailing wage. This may save the University some monies as it has annual summer painting projects in the residence halls. Other savings may

ASSUMPTION (continued)

also be realized if there were more definitive definitions of construction versus maintenance projects.

Officials at the **Mexico School District** state it has been the experience of the School District that of a particular project, 2/3 of the total cost is made up of materials and the remaining 1/3 of the cost is labor. Of that labor, the school estimates between 20 to 40% can be attributed to prevailing wage, depending on the type of project undertaken. From an overall project standpoint, that translates to between 7 and 13%. The Mexico School District's most recent Energy Savings project was a little over \$5.8 million. Using 10% as a rule of thumb, it cost the school district in the neighborhood of \$580,000 to comply with the prevailing wage.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses could be impacted by changing the prevailing wage laws.

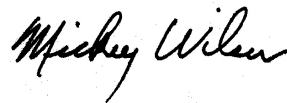
FISCAL DESCRIPTION

The proposed legislation appears to have no fiscal impact.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

City of Kansas City  
Department of Conservation  
Department of Labor and Industrial Relations  
Lincoln University  
Linn State Technical College  
Metropolitan Community College  
Missouri Department of Transportation  
Mexico School District  
Missouri Southern State University  
Missouri State University  
Missouri Western State University  
Northwest Missouri State University  
Office of Administration  
Parkway School District  
St. Louis County  
University of Central Missouri  
University of Missouri

A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 27, 2012